



PROGRAM OVERVIEW

Guaranteed Rural Housing Loan Program

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT

USDA Rural Development's Guaranteed Rural Housing (GRH) Loan Program is designed to meet the needs of rural home buyers who have a dependable income source and satisfactory credit history needed to qualify for a conventional mortgage, but not the down payment. The GRH program encourages lenders to provide financing to qualified home buyers by reducing the amount of risk involved for the lender.

Program Highlights

- 100% financing. No down payment required.
- Maximum loan amount up to 100% of appraised value.
- Loan can include closing costs and repairs if appraisal higher than sales price
- No monthly mortgage insurance premium
- One-time 1.5% Guarantee Fee on purchase transactions and 0.5% Guarantee Fee for refinance transactions
- No cash reserves requirement
- Borrowers do not have to be first time home buyers
- No limit on seller contributions
- 1-day compliance review turnaround time from USDA
- Lender processes loan package using own forms.
- USDA Rural Development requires only 2 additional forms to be signed by lender and borrower and included in submission package.

Benefits to Lenders

- Loans can be purchased by Fannie Mae, Freddie Mac or Ginnie Mae
- 100% of the loan can be sold
- Quick, streamlined lender approval process
- No imposed fee structure on lender for closing costs
- Lender may choose any state licensed appraiser. No approved appraiser requirement.
- Loans qualify for the Community Reinvestment Act (CRA)

Loan Purpose

- Purchase transactions - new construction or existing dwellings are eligible
- Existing GRH loans may be refinanced with new GRH loan.
- Other financing programs including CHFA, Platinum, and locally sponsored “silent second” programs can be used in conjunction with the GRH program.

Interest Rate and Terms

- 30 year fixed-rate, fully amortized loans only
- Interest rate is negotiated between the lender and borrower

Property Requirements

- Property must be located in an eligible rural area.
- Dwelling to meet USDA's thermal standards.
- Site value should not exceed 30% of the total appraised value
- One-unit, non-farm, primary residences, including single family dwellings, condos, and PUDs
- Manufactured homes are eligible if unit is 12 months old or newer and never occupied. Unit must be sold through an approved RD dealer/contractor.
- Income producing properties are not eligible.

Underwriting, Income and Credit Requirements

- Qualifying ratios are 29/41. Up to high 30's PITI and high 40's MOTI with strong compensating factors.
- Credit score of 660 or higher considered a strong compensating factor. Credit score of 720 considered excellent compensating factor
- Adjusted annual income may not exceed 115% of the median household income
- Source of income must be adequate and dependable, typically with 24 month history
- No more than one-30 day late payment in the last 12 months
- Bankruptcies to be discharged for at least 36 months
- Adverse credit waivers may be granted for mitigating factors such as loss of job, reduction in income and illness